

lease of personal property owned by a person outside the group shall be taken into account as in-house research expenses for purposes of section 41 only to the extent of the lesser of—

(i) The amount paid or incurred to the other member, or

(ii) The amount of the lease expenses paid to the person outside the group.

(5) *Payment for supplies.* Amounts paid or incurred to another member of the group for supplies shall be taken into account as in-house research expenses for purposes of section 41 only to the extent of the lesser of—

(i) The amount paid or incurred to the other member, or

(ii) The amount of the other member's basis in the supplies.

#### § 1.41-9 Special rules.

(a) *Allocations—(1) Corporation making an election under subchapter S—(i) Pass-through, for taxable years beginning after December 31, 1982, in the case of an S corporation.* In the case of an S corporation (as defined in section 1361) the amount of research credit computed for the corporation shall be allocated to the shareholders according to the provisions of section 1366 and section 1377.

(ii) *Pass-through, for taxable years beginning before January 1, 1983, in the case of a subchapter S corporation.* In the case of an electing small business corporation (as defined in section 1371 as that section read before the amendments made by the subchapter S Revision Act of 1982), the amount of the research credit computed for the corporation for any taxable year shall be apportioned pro rata among the persons who are shareholders of the corporation on the last day of the corporation's taxable year.

(2) *Pass-through in the case of an estate or trust.* In the case of an estate or trust, the amount of the research credit computed for the estate or trust for any taxable year shall be apportioned among the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(3) *Pass-through in the case of a partnership—(i) In general.* In the case of a partnership, the research credit computed for the partnership for any taxable year shall be apportioned among the persons who are partners during

the taxable year in accordance with section 704 and the regulations thereunder. See, for example, § 1.704-1(b)(4)(ii). Because the research credit is an expenditure-based credit, the credit is to be allocated among the partners in the same proportion as section 174 expenditures are allocated for the year.

(ii) *Certain expenditures by joint ventures.* Research expenses to which § 1.41-2(a)(4)(ii) applies shall be apportioned among the persons who are partners during the taxable year in accordance with the provisions of that section. For purposes of section 41, these expenses shall be treated as paid or incurred directly by the partners rather than by the partnership. Thus, the partnership shall disregard these expenses in computing the credit to be apportioned under paragraph (a)(3)(i) of this section, and in making the computations under section 41 each partner shall aggregate its distributive share of these expenses with other research expenses of the partner. The limitation on the amount of the credit set out in section 41(g) and in paragraph (c) of this section shall not apply because the credit is computed by the partner, not the partnership.

(4) *Year in which taken into account.* An amount apportioned to a person under this paragraph shall be taken into account by the person in the taxable year of such person which or within which the taxable year of the corporation, estate, trust, or partnership (as the case may be) ends.

(5) *Credit allowed subject to limitation.* The credit allowable to any person to whom any amount has been apportioned under paragraph (a)(1), (2) or (3)(i) of this section is subject to section 41(g) and sections 38 and 39 of the Code, if applicable.

(b) *Adjustments for certain acquisitions and dispositions—Meaning of terms.* For the meaning of “acquisition,” “separate unit,” and “major portion,” see paragraph (b) of § 1.52-2. An “acquisition” includes an incorporation or a liquidation.

(c) *Special rule for pass-through of credit.* The special rule contained in section 41(g) for the pass-through of the credit in the case of an individual

who owns an interest in an unincorporated trade or business, is a partner in a partnership, is a beneficiary of an estate or trust, or is a shareholder in an S corporation shall be applied in accordance with the principles set forth in § 1.53-3.

(d) *Carryback and carryover of unused credits.* The taxpayer to whom the credit is passed through under paragraph (c) of this section shall not be prevented from applying the unused portion in a carryback or carryover year merely because the entity that earned the credit changes its form of conducting business.

TAXABLE YEARS BEGINNING BEFORE  
JANUARY 1, 1987

**§ 1.41-0A Credit or deduction for political and newsletter fund contributions—scope and note.**

Section 41 allows a limited credit against the income tax for political and newsletter fund contributions. Section 218 allows a limited deduction for contributions. The Revenue Act of 1978, however, increases the maximum annual credit under section 41 and repeals section 218. These changes are effective for political and newsletter fund contributions payment of which is made in taxable years of the contributor beginning after December 31, 1978. Sections 1.41-1A through 1.41-8A apply to both sections 41 and 218.

[T.D. 7603, 44 FR 18222, Mar. 27, 1979. Redesignated and amended by T.D. 8251, 54 FR 21204, May 17, 1989]

**§ 1.41-1A Same—definitions of certain items.**

(a) *Campaign committee.* A “campaign committee” is any group described in section 41(c)(1)(B). Thus, to be a campaign committee a group must be organized and operated exclusively to further the nomination or election of one or more candidates. That means it may not, except as otherwise provided in § 1.41-3A(a), spend any money for any other purpose. Therefore, a group that engages in any general political, educational, or legislative activities is not a campaign committee. Such a group may, however, organize a separate campaign committee exclusively to

further the nomination or election of one or more candidates.

(b) *Candidate.* A “candidate” is an individual described in section 41(c)(2). A candidate remains a candidate until enough money has been raised to pay the debts incurred in a previous campaign for elective public office. For example, A, a candidate for Senator from State X in 1977, is elected to that office in 1978. A sustains a campaign debt with respect to A’s Senatorial campaign. A remains a candidate solely for the purpose of soliciting contributions to extinguish the campaign debt.

(c) *Elective public office.* An “elective public office” is any governmental position for which one must be directly chosen by the casting of votes by the general public or the Electoral College. It does not, however, include any office or position in any national, state, or local political party or similar organization, or membership in the Electoral College.

(d) *Furthering a candidacy.* Expenditures further a candidacy within the meaning of section 41(c)(1) (A) and (B) if they are directly related to, and are intended to support, a candidate’s campaign for elective public office. Examples include payments for—

- (1) Researching and polling campaign issues;
- (2) Trips in connection with campaigning by the candidate or persons acting on his or her behalf;
- (3) Raising funds; and
- (4) Campaign-related debts left over from a previous political campaign.

(e) *Meets the qualifications.* An individual “meets the qualifications prescribed by law” to hold an elective public office if the individual can be reasonably expected to meet those qualifications on or before the date the office is to be filled.

(f) *Newsletter fund contribution.* The term “newsletter fund contribution” means a contribution of money or gift of money directly to a fund described in section 527(g) (relating to the treatment of newsletter funds as political organizations).

(g) *Political contribution.* A “political contribution” is a contribution of money or gift of money directly to a person described in section 41(c)(1). A political contribution is not limited to